STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony
Insurance and Real Estate Committee
March 3, 2016

House Bill No. 5442 An Act Concerning Long-Term Care Insurance Policy Premium Rate Increases.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit written testimony in opposition to **House Bill No. 5422 An Act Concerning Long-Term Care Insurance Policy Premium Rate Increases.** Generally, H.B. 5442 would limit the amount of certain long-term care insurance premium rates to a seven percent increase in a single year. Conn. Gen. Stats. §38a-501 prescribes that any rate increase for long-term care approved by the Department in excess of 20 percent is required to be spread across three years[1]. Any increase that is less than 20% would be assessed entirely in the year that it is approved.

Although the Department appreciates the intent of this bill, it would negatively impact consumers. Department actuaries perform a rigorous rate review to ensure the increase requested is not excessive. Rate increases over 20 percent are already spread over a period of at least three years to provide some relief and budget for the insureds. Limiting the annual increase to seven percent will increase the number of years that increases will occur and the overall increases will need to be higher to balance the delayed implementation.

Like other insurance products, companies that offer long-term care insurance depend on adequate rates to pay claims and to continue offering the product. Limiting the maximum rate increase to seven percent per year could result in inadequate rates, ultimate rate increases that would be substantially higher and instability in the industry. As a result, companies may decide to no longer offer long-term care products in the market – a market which is already seeing less companies continue to write the business.

This bill could create solvency issues for long-term care insurance companies, which would directly impact consumers as companies that are insolvent and would not be able to pay their claims. It is especially problematic for long-term care insurance products since consumers typically pay for their long-term care insurance policies for many years – even decades prior to

[1] If an increase is spread across multiple years, the annual increase would actually be the actuarial equivalent, plus interest (which is approved by the Department).

use. Implementation of the rate limitations proposed in this legislation will reduce the options for consumers.

The Department wants to acknowledge that it has discussed this with the proponent of the bill and welcomes a dialogue as this bill goes through the process. The Department is ready to work with any stakeholder and provide expertise if needed.

The Department thanks the Insurance and Real Estate Committee Chairs and members for the opportunity to submit testimony on H.B. 5442.